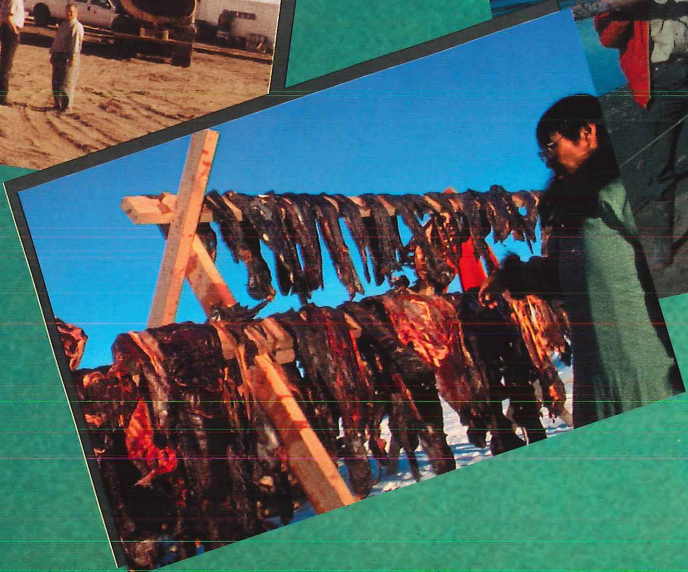
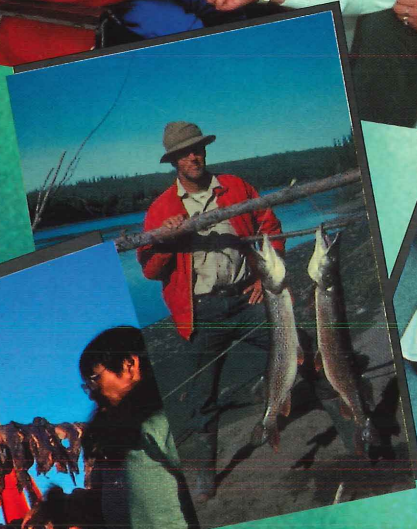


Public Accounts

Northwest Territories • 2001-2002

Section I Consolidated Financial Statements



Northwest Territories

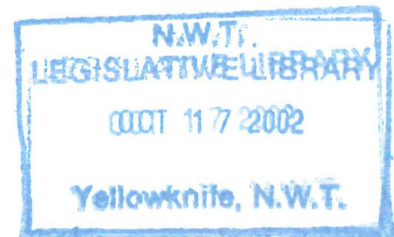


PUBLIC ACCOUNTS
OF THE
GOVERNMENT OF THE NORTHWEST TERRITORIES
FOR THE YEAR ENDED MARCH 31, 2002

SECTION I
CONSOLIDATED FINANCIAL STATEMENTS

HONOURABLE JOSEPH L. HANDLEY

Minister of Finance



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Northwest
Territories Financial Management Board

THE HONOURABLE GLENNA F. HANSEN
COMMISSIONER OF THE NORTHWEST TERRITORIES

I have the honor to present the Public Accounts of the Northwest Territories in accordance with Sections 27 through 31 of the Northwest Territories Act (Canada), R.S.C. 1985, c. N-22, and Sections 72 through 74 of the Financial Administration Act, S.N.W.T. 1987(1), c. 16, for the fiscal year ended March 31, 2002.



Joseph L. Handley
Minister of Finance

Financial Management Board Secretariat
Yellowknife, NT

August 12, 2002

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**Public Accounts of the
Government of the Northwest Territories**

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The preparation of the consolidated financial statements of the Government of the Northwest Territories, and related information contained in the Public Accounts, is the responsibility of management through the Office of the Comptroller General.

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for governments. When alternative accounting methods exist, management has chosen those that are most appropriate. Where required, management's best estimates and judgment have been applied in the preparation of these statements.

The Government fulfills its accounting and reporting responsibilities, through the Office of the Comptroller General, by maintaining systems of financial management and internal control. The systems are continually enhanced and modified to provide timely and accurate information, to safeguard and control the Government's assets, and to ensure all transactions are in accordance with the Financial Administration Act.

The Public Accounts are referred to the Standing Committee on Accountability and Oversight. The recommendations of this committee are reviewed and acted on to improve the financial systems and controls.

The Auditor General of Canada performs an annual audit on the consolidated financial statements in order to express an opinion as to whether the consolidated financial statements present fairly the financial position of the government, the results of its operations and its cash flows for the year. During the course of the audit, she also examines transactions that have come to her notice, to ensure they are, in all significant respects, within the statutory powers of the Government and those organizations included in the consolidation.

After completion of the audit, the Auditor General includes additional information, comments and recommendations in her annual report to the Legislative Assembly of the Northwest Territories.



Lew Voytilla, FCGA
Comptroller General
Government of the Northwest Territories

August 12, 2002

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AUDITOR GENERAL OF CANADA

VÉRIFICATEUR GÉNÉRAL DU CANADA

AUDITOR'S REPORT

To the Legislative Assembly of the Northwest Territories

I have audited the consolidated statement of financial position of the Government of the Northwest Territories as at March 31, 2002 and the consolidated statements of operations and net financial resources and cash flows for the year then ended. These financial statements are the responsibility of the Government. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Government, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Government as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for governments recommended by the Canadian Institute of Chartered Accountants' Public Sector Accounting Board. As required by the *Northwest Territories Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Government and the consolidated financial statements are in agreement therewith. In addition, the transactions of the Government and of those organizations listed in note 1 that have come to my notice during my audit of these consolidated financial statements have, in all significant respects, been in accordance with the Government's powers under the *Northwest Territories Act*, the *Financial Administration Act* and regulations and the specific operating authorities disclosed in note 1.

Additional information and comments on the consolidated financial statements and this opinion will be included in my annual report to the Legislative Assembly of the Northwest Territories.

Sheila Fraser

Sheila Fraser, FCA
Auditor General of Canada

Ottawa, Canada
August 12, 2002

Government of the Northwest Territories

Consolidated Statement of Financial Position

as at March 31, 2002 2001
(thousands of dollars)

Financial resources

Cash	\$ 107,257	\$ 8,250
Short term investments (note 5)	249,691	61,181
Due from Canada (note 6)	-	50,607
Accounts receivable (note 7)	63,957	47,368
Inventories and prepaid expenses (note 8)	13,292	12,266
Designated cash and investments (note 9)	34,337	29,149
Loans receivable (note 10)	42,079	42,076
Investment in Northwest Territories Power Corporation (note 11)	72,159	75,111

582,772 326,008

Tangible capital assets (schedule C) 743,885 678,601

\$ 1,326,657 **\$ 1,004,609**

Liabilities

Short-term loans (note 12b)	-	9,690
Accounts payable and accrued liabilities (note 13)	133,191	104,491
Due to Canada (note 6)	175,991	-
Capital lease obligations (note 14)	25,375	26,929
Long-term debt (note 15)	32,880	30,644
Post employment benefits (note 16)	38,548	37,480

405,985 209,234

Accumulated surplus, represented by:

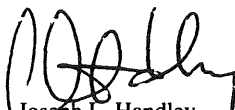
Investment in tangible capital assets	743,885	678,601
Net financial resources (note 4)	176,787	116,774


920,672 795,375

\$ 1,326,657 **\$ 1,004,609**

Commitments and contingencies (notes 20 and 21)

Approved:


Joseph L. Handley
Minister of Finance


Lew Voytilla
Comptroller General

The accompanying notes and schedules are an integral part of the consolidated financial statements.

Government of the Northwest Territories

Consolidated Statement of Operations and Net Financial Resources

for the year ended March 31, (thousands of dollars)	2002		2001
	Budget (unaudited)	Actual	Actual
Revenues (schedule A)	\$ 833,509	\$ 993,176	\$ 908,114
Recoveries of prior years' expenses	3,000	3,555	6,141
	836,509	996,731	914,255
Expenses (schedule B)	828,098	872,482	801,682
Net operating revenue (expense) for the year	8,411	124,249	112,573
Net revenue from investment in Northwest Territories Power Corporation (note 11)	4,941	6,882	5,451
Projects for Canada, Nunavut and others			
Expenses	(33,113)	(47,066)	(40,919)
Recoveries	33,113	47,066	40,919
Net revenue (expense) for the year	\$ 13,352	131,131	118,024
Net investment in tangible capital assets (note 18)			
Amortization of tangible capital assets (schedule C)		42,974	41,477
Acquisitions, net of capital contributions received		(99,926)	(61,320)
Disposals (schedule C)		4,254	5,692
Amortization of capital contributions (note 17)		(12,586)	(12,753)
		(65,284)	(26,904)
Change in net financial resources for the year		65,847	91,120
Net financial resources, at beginning of the year		116,774	25,654
Transfer on division (note 3)		(5,834)	-
Net financial resources, at beginning of the year, as restated		110,940	25,654
Net financial resources, at end of the year		\$ 176,787	\$ 116,774

The accompanying notes and schedules are an integral part of the consolidated financial statements.

Government of the Northwest Territories

Consolidated Statement of Cash Flows

for the year ended March 31,
(thousands of dollars)

	2002	2001
Cash provided by (used in)		
Operating activities		
Net revenue (expense) for the year	\$ 131,131	\$ 118,024
Items not affecting cash:		
Provision for bad debts, forgivable loans and mortgage write-down	5,090	4,679
Amortization of tangible capital assets	42,974	41,477
Capital contributions amortized as revenue	(12,586)	(12,753)
Net revenue from investment in Northwest Territories Power Corporation	(6,882)	(5,451)
	159,727	145,976
Changes in non-cash assets and liabilities		
Due from Canada	226,598	(22,281)
Due from Nunavut government upon division	-	35,313
Other current assets	(17,673)	(1,341)
Other current liabilities	28,700	5,455
Post employment benefits	1,068	(1,056)
Net cash provided by (used in) operating activities	398,420	162,066
Investing activities		
Net increase in short-term investments	(188,510)	(44,495)
Dividend from Northwest Territories Power Corporation	4,000	4,083
Increase in designated cash and investments	(5,188)	(7,225)
Loans receivable		
Advances	(14,793)	(11,270)
Repayments	9,758	9,432
Acquisition of tangible capital assets	(113,181)	(63,369)
Disposal of tangible capital assets	4,254	5,692
Net cash (used in) investing activities	(303,660)	(107,152)
Financing activities		
Financing provided by long-term debt	2,729	777
Repayment of long-term debt	(493)	(462)
Capital contributions received and deferred	13,255	2,049
Financing provided by capital lease obligations	-	10,033
Repayment of capital lease obligations	(1,554)	(1,864)
Net cash provided by (used in) financing activities	13,937	10,533
Increase (decrease) in cash and cash equivalents	108,697	65,447
Cash and cash equivalents at beginning of the year	(1,440)	(66,887)
Cash and cash equivalents at end of the year*	\$ 107,257	\$ (1,440)

* Cash and cash equivalents include cash less short-term loans.

The accompanying notes and schedules are an integral part of the consolidated financial statements.

March 31, 2002

1. AUTHORITY AND OPERATIONS

(a) Authority and reporting entity

The Government of the Northwest Territories (the Government) operates under the authority of the *Northwest Territories Act* (Canada). The Government has an elected Legislative Assembly which authorizes all disbursements, advances, loans and investments unless specifically authorized by statute.

The consolidated financial statements have been prepared in accordance with the *Northwest Territories Act* (Canada) and the *Financial Administration Act* of the Northwest Territories. The consolidated financial statements include the accounts of the Government and organizations accountable to and owned or controlled by the Government. The entities that exist to deliver the executive functions of the Government are fully consolidated in these financial statements.

The following chart lists the organizations comprising the consolidated Government reporting entity, how they are accounted for in the consolidated financial statements and their specific operating authority.

Fully Consolidated:

Aurora College	<i>Public Colleges Act</i>
Northwest Territories Housing Corporation	<i>Northwest Territories Housing Corporation Act</i>
Northwest Territories Development Corporation	<i>Northwest Territories Development Corporation Act</i>
Northwest Territories Business Credit Corporation	<i>Northwest Territories Business Credit Corporation Act</i>

Modified Equity:

Northwest Territories Power Corporation	<i>Northwest Territories Power Corporation Act</i>
---	--

These organizations have a March 31 fiscal year end except for the college, which has a fiscal year end of June 30. Revolving funds are incorporated directly into the Government's accounts while trust assets administered by the Government on behalf of other parties (note 19) are excluded from the consolidated Government reporting entity.

The following related Government boards and agencies are reflected in these statements only to the extent of the Government's contributions to them

Divisional Education Councils and District Education Authorities
Hospitals and Regional Health Boards
Local Housing Associations and Authorities

(b) Budget

The consolidated budget figures are the appropriations approved by the Legislative Assembly, and the approved budgets for the consolidated entities, adjusted to eliminate budgeted inter-entity revenues and expenses. They represent the Government's original consolidated fiscal plan for the year and do not reflect supplementary appropriations. The budget figures shown have not been audited.

March 31, 2002

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires the Government to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported in the financial statements. By their nature, these estimates are subject to measurement uncertainty. The effect on the financial statements of changes to such estimates and assumptions in future periods could be significant, although, at the time of preparation of these statements, the Government believes the estimates and assumptions to be reasonable.

Some of the more significant management estimates relate to employee future benefits, contingencies, revenue accruals, housing mortgages and Students Loan Fund allowances for both forgivable and bad mortgages and loans, and amortization expense. Other estimates, such as Canada Health and Social Transfer payments and Corporate and Personal Income Tax revenue are based on estimates made by Canada's Department of Finance and are subject to adjustments in future years. Another significant estimate is the Grant from Canada, which incorporates estimates supplied by Statistics Canada and Canada's Department of Finance. Many of the statistical estimates are not finalized until three to seven years after the year end.

(b) Short-term investments/designated cash and investments

Investments are valued at the lower of cost or market value. Interest income is recorded on the accrual basis, dividend income is recognized as it is received and capital gains and losses are recognized as incurred.

Investment in securities denominated in foreign currencies are translated into Canadian dollars at the prevailing exchange rate at year end. Foreign currency transactions during the year are translated into Canadian dollars at the exchange rate at the transaction date.

(c) Inventories and prepaid expenses

Inventories for resale consist of bulk fuel, liquor products, lumber, arts, and crafts. Bulk fuels are valued at the lower of weighted average cost and net realizable value. Liquor products are valued at replacement cost. Other inventories are valued at the lower of cost, determined on a first in, first out basis and net replacement value.

Prepaid expenses are advance payments made prior to year end to meet April 1 deadlines.

(d) Loans receivable

Loans receivable are stated at the lower of cost and net recoverable value.

Valuation allowances, which are recorded to reduce loans receivable, are based on past events, current conditions and all circumstances known at the date of the preparation of the financial statements. Interest revenue is recognized when earned. Interest revenue is not accrued when the collectibility of either principal or interest is not reasonably assured.

(e) Investment in Northwest Territories Power Corporation

The Northwest Territories Power Corporation (NTPC) is accountable to the government, sells goods and services to the public, can contract in its own name and can maintain itself without government support. Consequently, it is consolidated in these financial statements using the modified equity method. Under this method the Government only reports its investment in and the net revenue of the NTPC. In addition, any amounts receivable or payable from the NTPC are reported.

March 31, 2002

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Tangible capital assets and leases

Tangible capital assets are buildings, roads, equipment, etc. whose life extends beyond the fiscal year, original cost exceeds \$50,000 and are intended to be used on an ongoing basis for delivering services. Individual assets less than \$50,000 are expensed when purchased.

Tangible capital assets are recorded at cost, or where actual cost was not available, estimated current replacement cost converted back to the date of purchase by discounting current year dollars for inflation. Gifted and cost shared tangible capital assets from Canada are recorded at their fair market value, upon receipt, with the gifted or cost shared portion shown as a deferred capital contribution. This deferred capital contribution is amortized as revenue on the same basis as the related asset is amortized. Tangible capital assets, when placed in service, are amortized on straight line basis over their economic life based on the following guidelines:

Asset category	Amortization period
Land	Not amortized
Roads and bridges	40 years
Airstrips and aprons	40 years
Buildings	40 years
Ferries	25 years
Water/sewer works	25 years
Computers and software systems	5 - 10 years
Mobile and heavy equipment	7 - 15 years
Major equipment	5 - 15 years
Medical equipment	5 - 15 years
Leasehold improvements	Lease term plus renewal option

Tangible capital assets under construction or development are recorded as work in progress with no amortization until the asset is placed in service. Capital lease agreements are recorded as a liability and a corresponding asset based on the present value of any payments due. The present value is based on the specified rate or the government's borrowing rate at the time obligation is incurred. Operating leases are charged to expenses. Works of art and historical treasures are not recorded.

(g) Post employment benefits

Employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The Government contributes at a rate of 2.14 times (2001 - 2.14 times) the employee's contribution. The Government's contributions are charged as an expense on a current year basis and represents the total pension obligations. The Government is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Plan.

Under the terms and conditions of employment, government employees may earn non-pension benefits for resignation, severance and removal costs based on years of service. The benefits are paid upon resignation, retirement or death of an employee. The expected cost of providing these benefits is recognized as employees render service. Termination benefits are also recorded when employees are identified for lay-off. The cost of the benefits has been determined based on management's best estimates

Pension benefits to Members of the Legislative Assembly and judges are reported on an actuarial basis. This is done to determine the current value of future entitlement and uses various estimates. When actual experience varies from estimates, the adjustments needed are amortized over the estimated average remaining service lives of the contributors.

March 31, 2002

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Commitments and contingencies

The nature of the Government's activities requires negotiation of contracts that are significant in relation to its current financial position or that will materially affect the level of future expenses. Contractual commitments pertain to operating, commercial and residential leases, capital projects and operational funding commitments.

The contingencies of the Government are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. If the future event is considered likely to occur or fail to occur and is quantifiable, an estimated liability is accrued. If the likelihood is not determinable or the amount cannot be reasonably estimated, the contingency is disclosed. Contingent liabilities result from potential environmental contingencies or pending litigation and like items.

(i) Grant from Canada

The Grant is subject to the terms of the Formula Financing Agreement with Canada. The Grant entitlement is dependent on a number of variables, including population growth, the growth of provincial-local government spending, personal and corporate income tax revenues and other federal transfers.

The initial payments of the Grant are based on estimates of these variables, supplied by Statistics Canada, Canada's Department of Finance and the Government. Adjustments are made as final data becomes available which can take between three to seven years. These adjustments can be significant and can affect both current and future years' grant entitlements positively or negatively. Population figures are initially based on Statistics Canada's post-censal estimates, which are adjusted to census data every five years. All known changes to estimates, relating to current year and prior years, are recorded in the current year as revenue adjustments.

(j) Projects for Canada, Nunavut and others

The Government undertakes projects for Canada, Nunavut and others for which it receives accountable advances. Unexpended balances are recorded as current liabilities, and recoveries are accrued when expenses, as allowed under the project contract, exceed advances.

(k) Taxes

Income tax revenue is recognized on an accrual basis. Taxes, under the *Income Tax Act*, are collected by Canada on behalf of the Government under a tax collection agreement and are remitted to the Government monthly. The remittances are based on Canada's Department of Finance's estimates for the taxation year, which are periodically adjusted until the income tax assessments for that year are final. Changes to personal and corporate income tax estimates can have a significant impact on the Grant from Canada.

Fuel, tobacco and payroll taxes are levied under the authority of the *Petroleum Products Tax Act*, the *Tobacco Tax Act* and the *Payroll Tax Act* respectively. Revenues are recognized on an accrual basis based on the statements received from collectors or employers. Adjustments from reassessments are recorded in revenue in the year they are identified. Property tax and school levies are assessed on a calendar year basis and are recognized on an accrual basis in the fiscal year in which the calendar year ends.

(l) Other revenues/deferred revenue

Licenses, fees and permits are recorded on a cash basis. All other revenues are recorded on an accrual basis. Funding received for specified purposes is deferred until the related expenses are incurred.

Government of the Northwest Territories**Notes to Consolidated Financial Statements**

March 31, 2002

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(m) Expenses**

Expenses are recorded on an accrual basis. The Government records expenses in the year in which the related goods and services are consumed. Government grants and contributions are accrued as expenses when paid or when the recipient has fulfilled the terms of a contractual agreement.

(n) Recoveries of prior years' expenses

Recoveries of prior years' expenses and reversal of prior years' expense accruals are reported separately from other revenues on the consolidated statement of operations and net financial resources. Pursuant to the *Financial Administration Act*, these recoveries cannot be used to increase the amount appropriated for current year expenses.

3. TRANSFER ON DIVISION

The Government's investment in Northwest Territories Power Corporation (NTPC) decreased as a result of the creation of Nunavut on April 1, 1999 and the subsequent division of the Corporation. A preliminary allocation to transfer a portion of the investment to the Government of Nunavut was recorded on April 1, 1999. A two year transition period, governed by two intergovernmental agreements, resulted in the eventual allocation of NTPC assets, liabilities and shareholder's equity. Effective April 1, 2001, all corporate operations within the Nunavut Territory were taken over by Nunavut Power Corporation. The results of the allocation, which is still subject to ratification by each government, is to increase the preliminary allocation of Nunavut's share of the Corporation's equity by \$5,834,000. The related capital transfer of net financial resources and accumulated surplus took place as follows:

	Investment in NTPC	Net financial resources	Accumulated surplus
Balance, April 1, 2001	\$ 75,111	\$ 116,774	\$ 795,375
Transfer to Nunavut of NTPC shareholder's equity on division, April 1, 2001	(5,834)	(5,834)	(5,834)
Restated balance, April 1, 2001	\$ 69,277	\$ 110,940	\$ 789,541

The Government's share of NTPC operations in 2001, disclosed in note 11, are restated to reflect the division allocation of the March 31, 2001 operating results.

4. NET FINANCIAL RESOURCES

Net financial resources are the residual financial resources after being reduced by liabilities of the government.

	2002	2001
	(thousands of dollars)	
Financial resources	\$ 582,772	\$ 326,008
Less: Liabilities	(405,985)	(209,234)
	\$ 176,787	\$ 116,774

Government of the Northwest Territories**Notes to Consolidated Financial Statements**

March 31, 2002

5. SHORT-TERM INVESTMENTS

Short-term investments represent a diversified portfolio of high grade, short-term income producing assets. The portfolio yield for the year ended March 31, 2002 varied from 1.50% to 6.10% (2001 - 4.25% to 5.86%). The eligible classes of securities, categories of issuers, limits and terms are approved under the Government's investment guidelines. All instruments, depending on the investment class, are rated R-2 High or better from the Dominion Bond Rating Service. Investments are diversified by limiting them, depending on the type of investment, to a maximum of 5% to 50% of the total portfolio. There is no significant concentration in any one investment. The average term to maturity, as at March 31, 2002, is 30 days.

6. DUE FROM (TO) CANADA

	2002	2001
	(thousands of dollars)	
Grant receivable		
Grant per financing agreement	\$ 290,347	\$ 570,956
Less payments received	(535,493)	(550,044)
	(245,146)	20,912
Balance receivable at beginning of year	26,749	5,837
	(218,397)	26,749
Other receivables		
Indian and Inuit hospital and medical care	36,986	19,346
Canada Mortgage and Housing Corporation	2,511	777
Projects on behalf of Canada	15,787	6,251
Miscellaneous receivables	13,317	18,626
	(149,796)	71,749
Payable to Canada		
Excess Income Tax advanced	(174)	(2,815)
Advances for projects on behalf of Canada	(711)	(2,288)
Miscellaneous payables	(22,459)	(5,974)
Deferred funding for specified purposes	(2,851)	(10,065)
	(26,195)	(21,142)
	\$ (175,991)	\$ 50,607

The amounts due from (to) Canada are non-interest bearing. The carrying amounts approximate fair market value because of the short term to maturity.

Government of the Northwest Territories

Notes to Consolidated Financial Statements

March 31, 2002

7. ACCOUNTS RECEIVABLE

	2002	2001
	(thousands of dollars)	
General	\$ 25,547	\$ 19,981
Government of Nunavut	34,480	22,075
Revolving fund sales	3,632	3,922
Accrued interest	385	1,126
	<hr/> 64,044	<hr/> 47,104
Less: allowance for doubtful accounts	<hr/> 7,045	<hr/> 6,987
	56,999	40,117
Receivables from related parties		
District Education Authorities and Divisional Education Councils	1,389	1,386
Hospitals and Regional Health Boards	1,364	551
Local Housing Associations and Authorities	203	1,194
Northwest Territories Power Corporation	4,002	4,120
	<hr/> 6,958	<hr/> 7,251
	<hr/> \$ 63,957	<hr/> \$ 47,368

8. INVENTORIES AND PREPAID EXPENSES

	2002	2001
	(thousands of dollars)	
Inventories		
Bulk fuels	\$ 6,015	\$ 4,715
Liquor products	2,707	3,089
Lumber, arts and crafts	1,392	1,176
Others	130	588
	<hr/> 10,244	<hr/> 9,568
Prepaid operational expenses	<hr/> 3,048	<hr/> 2,698
	<hr/> \$ 13,292	<hr/> \$ 12,266

Government of the Northwest Territories

Notes to Consolidated Financial Statements

March 31, 2002

9. DESIGNATED CASH AND INVESTMENTS

	2002	2001
	(thousands of dollars)	
Investment portfolio:		
Marketable securities (market value \$22,590,000; 2001, \$19,997,000) \$	22,590	\$ 19,554
Cash and other assets (market value approximates cost)	55	2,106
	22,645	21,660
Students Loan Fund:		
Authorized limit	33,000	27,000
Less: Loans receivable	24,382	22,144
	8,618	4,856
Segregated and designated for new loans	8,618	4,856
Miscellaneous investments, net of allowance for loss	3,074	2,633
	\$ 34,337	\$ 29,149

The cash and marketable securities held in the investment portfolio, while forming part of the Consolidated Revenue Fund, are designated for the purpose of meeting the obligations of the Legislative Assembly Supplementary Retiring Allowance and cannot be used to discharge obligations incurred by the Government. The assets in the investment portfolio are managed by CIBC Mellon Global Securities Company. Supplementary Retiring Allowance Regulations restrict the investments CIBC Mellon Global Securities Company can make to those investments listed in the *Pension Benefits Standards Act*.

The average market yield on the portfolio is 3.2% (2001 - 4.1%) with maturity dates ranging from April 2002 to November 2031. The gain on investments was \$1,728,000 (2001 - \$4,433,000)

Government of the Northwest Territories**Notes to Consolidated Financial Statements**

March 31, 2002

10. LOANS RECEIVABLE

	2002	2001
	(thousands of dollars)	
Northwest Territories Business Credit Corporation loans to businesses receivable over a maximum of 25 years, bearing fixed interest between 3.50% and 10.25%, net of allowance for doubtful accounts of \$6,811,000 (2001 - \$5,219,000)	\$ 25,673	\$ 25,758
Northwest Territories Housing Corporation mortgage and interim financing loans to individuals receivable over a maximum of 25 years, bearing fixed interest between 5.95% and 14.25%, net of allowance for doubtful accounts of \$6,781,000 (2001 - \$6,120,000)	3,779	2,357
Students Loan Fund loans due in installments to 2014, bearing interest between 3.75% and 12.5%, net of allowance for doubtful accounts and loan remissions of \$15,132,000 (2001 - \$13,467,000)	9,251	8,677
Loans to municipalities due in installments to 2026, bearing interest between 6.50% and 11.27%	2,857	4,793
Other	519	491
	\$ 42,079	\$ 42,076

The amounts expected to be received in the upcoming year are \$13,792,000 (2001 - \$11,516,000). Interest earned on loans receivable during the year was \$3,909,000 (2001 - \$3,082,000)

11. INVESTMENT IN NORTHWEST TERRITORIES POWER CORPORATION

The following is summarized financial information for Northwest Territories Power Corporation as at March 31, 2002:

	2002	2001
	(thousands of dollars)	
Investment in Northwest Territories Power Corporation		
Shareholders' Equity, including share capital of \$43,129	\$ 72,159	\$ 75,111
Shareholders' Equity is represented by:		
Assets	256,618	244,299
Liabilities	(184,459)	(169,188)
	\$ 72,159	\$ 75,111

Government of the Northwest Territories

Notes to Consolidated Financial Statements

March 31, 2002

11. INVESTMENT IN NORTHWEST TERRITORIES POWER CORPORATION (continued)

Statement of Operations and Surplus

For the year ended March 31,	2002	2001
Revenue	\$ 65,435	\$ 54,147
Expenses	(58,553)	(49,965)
Net revenue	6,882	4,182
Surplus at beginning of the year	31,982	31,853
Transfer on division, April 1, 2001 (note 3)	(5,834)	-
Dividend	(4,000)	(4,053)
Surplus at end of the year	\$ 29,030	\$ 31,982

Included in the above are revenues from and expenses to entities in the Government's reporting entity of \$10,303,000 (2001 - \$10,630,000) and \$3,231,000 (2001 - \$3,541,000) respectively.

12. BANK OVERDRAFT AND SHORT-TERM LOANS

(a) Bank overdraft

The Government has a line of credit provided by a Chartered Bank. There are no fixed repayment terms and the overdraft limits are negotiated over the year based on the forecasted cash flows and borrowing requirements of the Government. The overdraft interest rate is at prime and the collateral is on the Consolidated Revenue Fund of the Government. Interest is charged on the net balance of the Government and its pool participants. At March 31, 2002 there is no net overdraft balance (2001 - nil).

(b) Short-term loans

There were no short-term loans as at March 31, 2002 (2001 - \$9,690,000). The average interest rate incurred during the year was 5.87% (2001 - 5.87%). Interest paid in 2002 was \$5,000 (2001 - \$307,000).

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March 31, 2002

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2002	2001
	(thousands of dollars)	
Trade	\$ 54,792	\$ 49,215
Government of Nunavut	8,125	17,712
Other liabilities, payroll liabilities and contractors' holdback	16,693	12,467
Employee vacation pay	11,699	11,486
Provision for equal pay settlement	33,427	4,717
Accrued interest	494	505
Deferred funding for specified purposes	922	1,275
	126,152	97,377
Payable to related parties		
Divisional Education Councils and District Education Authorities	1,354	1,629
Hospitals and Regional Health Boards	4,725	3,763
Local Housing Associations and Authorities	94	913
Northwest Territories Power Corporation	866	809
	7,039	7,114
	\$ 133,191	\$ 104,491

In June 2002, the Government of the Northwest Territories and the Public Service Alliance of Canada (on behalf of the Union of Northern Workers) reached a negotiated settlement for equal pay. The provision relating to this settlement and the corresponding provision for excluded employees have been recorded in 2001/2002 Public Accounts. As this settlement relates to pre-division, a corresponding receivable has been recorded for 44.34% of the settlement from the Government of Nunavut.

14. CAPITAL LEASE OBLIGATIONS

	2002	2001
	(thousands of dollars)	
Buildings	\$ 25,375	\$ 26,699
Computers and software systems	-	230
	\$ 25,375	\$ 26,929

Interest expense related to capital lease obligations for the year was \$2,849,000 (2001 - \$2,879,000), at an implied average interest rate of 10.89% (2001 - 12.6%). Capital lease obligations are based upon contractual minimum lease obligations for the leases in effect as of March 31, 2002.

	(thousands of dollars)	
	2003	\$ 4,007
	2004	4,007
	2005	4,007
	2006	4,007
	2007	4,007
	Beyond 2007	27,022
Total minimum lease payments		47,057
Less: imputed interest (11.5%)		21,682
Present value of minimum lease payments		\$ 25,375

Government of the Northwest Territories**Notes to Consolidated Financial Statements**

March 31, 2002

15. LONG-TERM DEBT

	2002	2001
	(thousands of dollars)	
Northwest Territories Housing Corporation loans due to Canada Mortgage and Housing Corporation, repayable in annual installments of \$2,497,000 to the year 2033, bearing interest at a rate of 6.97% (2001 - 6.97%)	\$ 27,754	\$ 28,247
Aurora Fund loan maturing 2004, bearing interest at 7%	1,620	1,620
Other	3,506	777
	\$ 32,880	\$ 30,644

Principal and interest amounts due in each fiscal year for the next five years:

	Principal	Interest	Total
	(thousands of dollars)		
2003	\$ 606	\$ 2,188	\$ 2,794
2004	2,267	2,125	4,392
2005	692	2,059	2,751
2006	739	2,012	2,751
2007	789	1,962	2,751

The interest paid on long-term debt during the year was \$2,096,000 (2001 - \$2,151,000).

Debt AuthorityCanada, pursuant to subsection 20(2) of the *Northwest Territories Act*, has approved the Government borrowing up to \$300 million.

	2002	2001
	(thousands of dollars)	
Short-term borrowing	\$ -	\$ 9,690
Guaranteed Debt		
NWT Power Corporation	73,700	110,254
NWT Housing Corporation	27,754	28,247
NWT Energy Corporation, debenture series	23,721	23,970
NWT Power Corporation, operational debt	28,056	26,576
Total guaranteed debt	153,231	189,047
Total debt	153,231	198,737
Authorized borrowing limit	300,000	300,000
Available borrowing capacity	\$ 146,769	\$ 101,263

Government of the Northwest Territories

Notes to Consolidated Financial Statements

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16. POST EMPLOYMENT BENEFITS

	2002	2001
	(thousands of dollars)	
Employee Future Benefits		
Resignation	\$ 13,313	\$ 12,781
Removal	5,717	5,478
Retirement	2,206	2,188
	21,236	20,447
Pension Liabilities		
Legislative Assembly Supplementary Retiring Allowance	15,713	15,625
Judges' Supplemental Pension Plan	1,599	1,408
	17,312	17,033
Total	\$ 38,548	\$ 37,480

The expected payments due for Employee Future Benefits in the current year are \$1,935,000 (2001 - \$2,470,000).

The Government maintains the Legislative Assembly Retiring Allowances Fund and the Territorial Court Judges' Registered Pension Plan. Both plans are contributory defined benefit pension plans. These two pension plans are fully funded, consequently the Government has no liabilities as at March 31, 2002 (2001 - nil). The funds related to these plans are administered by independent trust companies. As well there are two supplementary plans known as the Legislative Assembly Supplementary Retiring Allowance and the Judges' Supplemental Pension Plan. These two plans are non-contributory defined benefit pension plans. The Government is liable for all benefits. Benefits provided under all four plans are based on service and/or earnings.

Actuarial valuations were completed for the Legislative Assembly and Judges' plans as of March 31, 2000 and April 1, 2001 respectively, using the projected benefit method prorated on service. The valuation is based on a number of actuarial assumptions about matters such as mortality, service, withdrawal, earnings and interest rates. The assumptions are based on the Government's best estimates of expected long-term rates and short-term forecasts. The actuarial valuations were extrapolated to March 31, 2002 if they were not valued at the balance sheet date.

Pension Expense

Pension expense for the Legislative Assembly Retiring Allowance Fund, the Territorial Court Judges' Registered Pension Plan, the Legislative Assembly Supplementary Retiring Allowance and Judges' Supplemental Pension Plan for the year totalled \$997,000 (2001 - \$1,375,000). The Government's contributions to the Public Service Superannuation Plan were \$18,002,000 (2001 - \$16,100,000).

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17. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions relate to the portion of a tangible capital asset that was gifted from or cost shared with Canada. The most significant of these assets are roads and airports. The capital contributions are deferred and amortized to revenue over the same life as the related asset.

	2002	2001
	(thousands of dollars)	
Deferred capital contributions at beginning of year	\$ 213,881	\$ 224,585
Add: Assets gifted or cost shared during the year	13,255	2,049
Less: Amortization of capital contributions	(12,586)	(12,753)
Deferred capital contributions at end of year	\$ 214,550	\$ 213,881

18. NET INVESTMENT IN TANGIBLE CAPITAL ASSETS

Net investment in tangible capital assets represents the total of tangible capital assets acquired, disposed of, and contributed during the year; net of the annual related amortization charged to operations.

The Canadian Institute of Chartered Accountants' Public Sector Accounting Board requires governments reporting under the expense basis of accounting to include, in the consolidated statement of operations, a reconciliation between net revenue (expense) and change in financial assets for the year. The Government has presented net investment in tangible capital assets to provide this reconciliation.

19. TRUST ASSETS UNDER ADMINISTRATION

The Government administers trust assets on behalf of third parties, which are not included in the reported Government assets and liabilities. These consist of cash, term deposits, investments, real estate, and other sundry assets.

	2002	2001
	(thousands of dollars)	
Workers' Compensation Board (Northwest Territories and Nunavut)	\$ 266,646	\$ 262,349
Public Trustee	2,497	2,585
Natural Resources - capital	336	335
Territorial and Supreme Courts	423	469
Correctional institutions and other	442	524
	\$ 270,344	\$ 266,262

The Workers' Compensation Board (Northwest Territories and Nunavut) has a fiscal year end of December 31. Its most recent financial statements and those of the Public Trustee are reproduced in Section III of the Public Accounts of the Government.

Government of the Northwest Territories**Notes to Consolidated Financial Statements**

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20. COMMITMENTS

The Government has entered into agreements for, or is contractually committed to, the following expenses payable subsequent to March 31, 2002:

	Expiry Date	2003	2004- 2038	Total
(thousands of dollars)				
Capital Commitments - projects in progress at March 31, 2002	2003	\$ 45,757	\$ 33,603	\$ 79,360
Operational Commitments	2006	28,659	20,980	49,639
Western Harvesters' Assistance Program	2006	392	290	682
Equipment Leases	2007	1,110	1,551	2,661
RCMP Policing Agreement	2012	19,121	172,090	191,211
Commercial and Residential Leases	2038	16,438	79,268	95,706
Canada Mortgage and Housing Corporation	2038	3,110	63,362	66,472
		\$ 114,587	\$ 371,144	\$ 485,731

(a) Canada Mortgage and Housing Corporation (CMHC)

In accordance with a Declaration of Trust Agreement, the Canada Mortgage and Housing Corporation (CMHC) transferred its ownership interest in territorial rental and loan portfolios to the Northwest Territories Housing Corporation (the Corporation), as Trustee. The Corporation assumed full responsibility and liability for the social housing programs related to the portfolios and receives annual funding from CMHC to manage these programs. The Agreement and funding expire in 2038.

A portion of this funding is used to make payments on portfolio-related CMHC mortgages of \$66,472,000 (2001 - \$69,259,000) maturing between 2003 and 2038, at interest rates ranging from 4.5% to 21.5%. As the related mortgages mature, the Corporation obtains clear title to CMHC's share of the book value of the respective assets. Until clear title is obtained, CMHC is entitled to its respective share of any gains on the disposal of any portfolio assets.

The portfolio assets and mortgages, held in trust, are recorded only as a commitment in these financial statements. CMHC retains the annual mortgage-related funding to make the mortgage payments, and accordingly neither the funding nor the mortgage payments are recorded by the Government. The mortgages, held in trust, are not included as borrowings for the purposes of the debt authority limits described in note 15.

(b) Commissions commitment

The Government has entered into fuel delivery contracts for 16 communities. Two contracts will expire in 2002, nine in 2003 and the remaining five in 2004. Under these contracts, fixed commission rates are paid. The value of this commitment is estimated at \$1,750,000.

(c) Charge back of services

The Government has 14 (2001 - 11) cost recovery service agreements with the Government of Nunavut for the provision of various corporate and program delivery services. The expenses on and costs recovered from these projects on behalf of Nunavut are estimated at \$11,500,000 (2001 - \$10,000,000) for the fiscal year 2002-2003.

March 31, 2002

21. CONTINGENCIES

(a) Environmental restoration costs

As circumstances and funding have permitted, the Government has been addressing the problem of environmental liabilities. In a number of departments, this process has consisted of identifying sites of potential liability and remediating the sites as necessary.

The Government has identified 427 sites in, or in close proximity to communities, where environmental liabilities may exist. Of these, 176 sites have been assessed. To date 73 of the 176 sites have been remediated or it has been determined no liability exists. Other assessed sites either have remediation plans in place or, are undergoing further study.

Of the total sites identified, 123 are active fuel caches managed by the Department of Resources, Wildlife and Economic Development that are located a distance from communities. Many of these caches, because of their remoteness and the small number of drums involved (with the potential for only limited local contamination), have not yet been formally assessed. As these sites are re-supplied, each is assessed for liabilities. In addition, the Department currently has 63 inactive fuel caches where there are no drums stored.

The Government will continue with its program of site inspection, assessment and remediation on an ongoing basis. In those cases where the cost of remediating sites is quantifiable, an estimated liability is accrued. As at March 31, 2002 cost estimates of sufficient accuracy are not yet available to predict future costs, if any, of restoration, consequently no liabilities have been accrued.

(b) Guarantees

The Government has guaranteed operating lines of credit for Sirius Diamonds Ltd. to a maximum of \$10,000,000; Arslanian Cutting Works (NWT) Ltd. to a maximum of \$9,200,000 and Deton'Cho Diamonds Inc. to a maximum of \$5,000,000 subject to terms of the guarantee agreements which may require specific approval for future advances. The current balances of the operating line of credit are \$7,990,000; \$7,230,000; and \$2,600,000 respectively. Subsequent to March 31, 2002 the guarantee for \$2,600,000 was called by the bank. The Government is negotiating recovery. In addition, the Government has guaranteed residential housing loans totalling \$2,615,000 and indemnified Canada Mortgage and Housing for third party loans totalling \$41,448,000.

The Government has provided a guarantee to the Canadian Blood Agency and Canadian Blood Services to cover a share of potential claims made by users of the national blood supply. The Government's share is limited to the percentage the Northwest Territories' population is of the Canadian population.

(c) Litigation

A claim related to the construction of the hydro system on the Taltson River has been filed against the Government, the Northwest Territories Power Corporation and the Government of Canada. It is anticipated that no significant loss will result from this claim.

(d) Grant, Transfer Payments and Taxes

Grant, transfer payments and taxes are inter-related. As detailed in note 2(i) and note 2(k), year-to-year fluctuations in corporate and personal income tax revenue, can have a significant impact on the grant and transfer payments from Canada.

Government of the Northwest Territories

Notes to Consolidated Financial Statements

March 31, 2002

21. CONTINGENCIES (continued)

(d) Grant, Transfer Payments and Taxes (continued)

Furthermore, income tax determined by Canada combines actual assessments with an estimate that assumes that previous years' income tax levels will be sustained. If tax revenue is not sustained, then future tax revenue will decrease and the grant and transfer payments will increase, albeit at a somewhat smaller amount.

It is not known, with any certainty, if the current levels of corporate income tax revenue will be sustained. Differences between current estimates and actual tax revenues, if any, will be recognized when the actual assessments are finalized over the next three to five years.

22. RELATED PARTIES

Transactions with related parties and balances at year end, not disclosed elsewhere in the financial statements, are disclosed in this note. During the year the Government made contributions and grants to the following related parties:

	2002	2001
	(thousands of dollars)	
Hospitals and Regional Health Boards	\$ 140,601	\$ 125,181
Divisional Education Councils and District Education Authorities	94,613	87,888
Local Housing Associations and Authorities	30,792	29,250
	\$ 266,006	\$ 242,319

The Government funds communities, boards, agencies and other organizations offering services to the public. These organizations operate independently of normal Government operations. The Government may be held responsible for any liabilities or deficits on behalf of these boards and agencies. An estimate of this potential liability, if any, cannot be readily determined.

Under agreements with related boards and agencies, the Government provides services either at cost or for a service fee where direct costs cannot be determined. The fees charged for indirect costs are not necessarily the cost of providing those services. Services provided include personnel, payroll, financial, procurement, accommodation, buildings and works, utilities, legal and interpretation services. Direct costs of \$71,925,000 (2001 - \$58,780,000) were incurred and recovered from related parties.

23. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

Consolidated Schedule of Revenues by Source

for the year ended March 31, (thousands of dollars)	2002		2001
	Budget (unaudited)	Actual	
From Canada			
Grant*	\$ 489,518	\$ 290,347	\$ 570,956
Transfer payments*	75,719	47,620	67,533
	565,237	337,967	638,489
Generated revenues			
Taxes*	217,830	576,715	201,955
General	20,311	29,307	22,896
Sales:			
Liquor Commission (net of cost of goods sold of \$12,671 (2001 - \$11,297))	18,790	21,909	19,804
Petroleum Products (net of cost of goods sold of \$9,548 (2001 - \$9,392))	3,588	3,214	3,232
Amortization of capital contributions (note 17)	-	12,586	12,753
Other recoveries	7,753	11,478	8,985
	268,272	655,209	269,625
Total revenues	\$ 833,509	\$ 993,176	\$ 908,114

* The Grant from Canada, Transfer payments and Corporate and Personal Income Tax Revenue are interrelated. An increase in income tax revenue received in the year will result in the Grant from Canada being reduced, as occurred in the year ending March 31, 2002.

Consolidated Schedule of Expenses

for the year ended March 31, (thousands of dollars)	2002		2001
	Budget (unaudited)	Actual	
Operations and maintenance			
Grants and contributions	\$ 363,292	\$ 360,161	\$ 330,670
Operations and maintenance	237,634	254,302	240,337
Compensation and benefits	182,785	210,383	183,394
Valuation allowances	-	4,671	5,804
Amortization of tangible capital assets	44,387	42,965	41,477
Total	\$ 828,098	\$ 872,482	\$ 801,682

Consolidated Schedule of Tangible Capital Assets

for the year ended March 31,
(thousands of dollars)

	Land	Buildings	Other*	Leasehold Improvements	Equipment	Computers	2002	2001
Cost of tangible capital assets, opening	\$ 2,151	\$ 640,899	\$ 544,913	\$ 16,647	\$ 44,381	\$ 17,788	\$ 1,266,779	\$ 1,233,082
Acquisitions	448	39,406	21,246	762	4,537	1,612	68,011	41,361
Disposals	(310)	(4,776)	-	-	(85)	-	(5,171)	(7,664)
Cost of tangible capital assets, closing	\$ 2,289	\$ 675,529	\$ 566,159	\$ 17,409	\$ 48,833	\$ 19,400	\$ 1,329,619	\$ 1,266,779
Accumulated amortization, opening	\$ -	\$ (234,273)	\$ (153,321)	\$ (9,373)	\$ (22,693)	\$ (7,069)	\$ (426,729)	\$ (387,224)
Amortization expense	-	(20,948)	(15,985)	(1,143)	(2,722)	(2,176)	(42,974)	(41,477)
Write-downs	-	-	-	-	(82)	(29)	(111)	-
Disposals	-	1,028	-	-	-	-	1,028	1,972
Accumulated amortization, closing	\$ -	\$ (254,193)	\$ (169,306)	\$ (10,516)	\$ (25,497)	\$ (9,274)	\$ (468,786)	\$ (426,729)
Net book value	\$ 2,289	\$ 421,336	\$ 396,853	\$ 6,893	\$ 23,336	\$ 10,126	860,833	840,050
Work in Progress							97,602	52,432
Deferred capital contributions (note 17)							(214,550)	(213,881)
							\$ 743,885	\$ 678,601

*includes roads, bridges, airstrips, aprons, and water/sewer works